

HOUSE BILL NO. 565

INTRODUCED BY R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THAT THE SUPPLEMENTAL CONTRIBUTION PAID TO THE TEACHERS' RETIREMENT SYSTEM FOR PAST SERVICE LIABILITIES WHEN THE OPTIONAL RETIREMENT PROGRAM WAS ESTABLISHED BE PAID BY THE STATE RATHER THAN BY THE UNIVERSITY SYSTEM; INCREASING EMPLOYER CONTRIBUTIONS TO THE OPTIONAL RETIREMENT SYSTEM; PROVIDING A STATUTORY APPROPRIATION; AMENDING SECTIONS 17-7-502, 19-2-405, 19-20-621, AND 19-21-203, MCA; REPEALING SECTION 19-20-621, MCA; AND PROVIDING EFFECTIVE DATES AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-31-702; 15-34-115; 15-35-108; 15-36-324; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-406; 16-1-411; 17-3-106; 17-3-212; 17-3-222; 17-6-101; 17-7-304; 18-11-112; 19-3-319; 19-6-709; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-621; 20-8-107; 20-26-1503; 22-3-1004; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 42-2-105; 44-12-206; 44-13-102; 50-4-623; 53-6-703; 53-24-206; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-505;

1 80-2-222; 80-4-416; 80-11-518; 81-5-111; 82-11-161; 87-1-513; 90-3-1003; 90-6-710; and 90-9-306.

2 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
3 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
4 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
5 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
6 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
7 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to
8 sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
9 supplemental benefit; pursuant to Ch. 422, L. 1997, the inclusion of 15-1-111 terminates on July 1,
10 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of
11 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability
12 is 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1,
13 2014; and pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, the inclusion of 15-35-108 and 90-6-710
14 terminates June 30, 2005.)"

15

16 **Section 2.** Section 19-2-405, MCA, is amended to read:

17 **"19-2-405. (Temporary) Employment of actuary -- biennial investigation and valuation.** (1) The
18 board shall retain a competent actuary who is an enrolled member of the American academy of actuaries
19 and who is familiar with public systems of pensions. The actuary is the technical advisor of the board on
20 matters regarding the operation of the retirement systems.

21 (2) The board shall require the actuary to make a biennial actuarial investigation into the suitability
22 of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and liabilities
23 of the retirement systems.

24 (3) The normal cost contribution rate, which is funded by required employee contributions and a
25 portion of the required employer contributions to the retirement system, must be calculated as that level
26 percentage of members' salaries that will actuarially fund benefits payable under a retirement system as
27 those benefits accrue in the future.

28 (4) The unfunded liability contribution rate, which is entirely funded by a portion of the required
29 employer contributions to the retirement system, must be calculated as that level percentage of members'
30 salaries that will amortize the unfunded actuarial liabilities of the retirement system over a reasonable

1 period of time, not to exceed 30 years, as determined by the board.

2 (5) The board shall require the actuary to conduct a periodic actuarial investigation into the
3 actuarial experience of the retirement systems.

4 **19-2-405. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier)**

5 **Employment of actuary -- biennial investigation and valuation.** (1) The board shall retain a competent
6 actuary who is an enrolled member of the American academy of actuaries and who is familiar with public
7 systems of pensions. The actuary is the technical advisor of the board on matters regarding the operation
8 of the retirement systems.

9 (2) The board shall require the actuary to make a biennial actuarial investigation into the suitability
10 of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and liabilities
11 of each defined benefit plan that is a part of the retirement systems.

12 (3) The normal cost contribution rate, which is funded by required employee contributions and a
13 portion of the required employer contributions to each defined benefit retirement plan, must be calculated
14 as the level percentage of members' salaries that will actuarially fund benefits payable under a retirement
15 plan as those benefits accrue in the future.

16 (4) (a) The unfunded liability contribution rate, which is entirely funded by a portion of the required
17 employer contributions to the retirement plan, must be calculated as the level percentage of current and
18 future defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the
19 retirement plan over a reasonable period of time, not to exceed 30 years, as determined by the board.

20 (b) In determining the amortization period under subsection (4)(a) for the public employees'
21 retirement system's defined benefit plan, the actuary shall take into account the plan choice rate
22 contributions to be made to the defined benefit plan pursuant to 19-3-2117 and 19-21-203(5)(b)(4).

23 (5) The board shall require the actuary to conduct a periodic actuarial investigation into the
24 actuarial experience of the retirement systems and plans.

25 (6) The board may require the actuary to conduct any valuation necessary to administer the
26 retirement systems and the plans subject to this chapter."

27

28 **Section 3.** Section 19-20-621, MCA, is amended to read:

29 **"19-20-621. Montana university system optional retirement program state supplemental**
30 **contributions -- statutory appropriation.** (1) ~~Each employer within the university system with employees~~

For each employee participating in the optional retirement program provided for under Title 19, chapter 21, the state shall contribute monthly from the general fund to the teachers' retirement system a the supplemental employer state contribution sufficient provided in subsection (2) to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for the university system members.

(2) (a) The optional retirement program supplemental employer state contribution as a percentage of the total compensation of all employees participating in the program must increase to:

—— (a) 2.81% beginning July 1, 1997;

—— (b) 3.12% beginning July 1, 1998;

—— (c) 3.42% beginning July 1, 1999;

—— (d) 3.73% beginning July 1, 2000; and

—— (e) 4.04% beginning July 1, 2001 is 4.04%.

(b) The state contributions under this subsection (2) are statutorily appropriated, as provided in 17-7-502, to the pension trust fund.

(3) Each employer within the university system with employees participating in the optional retirement program shall, by the 15th of each month, report to the teachers' retirement system the total earned compensation paid during the preceding month to the participating employees.

(4) The teachers' retirement board shall periodically review the supplemental employer contribution rate and recommend adjustments to the legislature as needed to maintain the amortization of the university system's past service liability by July 1, 2033 certify to the state treasurer on a monthly basis the dollar amount due under subsection (2). The state treasurer shall, within 1 week of the certification, transfer the certified amount to the teachers' retirement system pension trust fund."

Section 4. Section 19-21-203, MCA, is amended to read:

"19-21-203. (Temporary) Contributions. (1) Each optional retirement program participant shall contribute an amount equal to the member's contribution required under 19-20-602. The board of regents shall contribute an amount that, when added to the participant's contribution, is equal to 12% of the participant's earned compensation the percentage specified in 19-20-605 as a percentage of the earned compensation paid to program participants.

(2) (a) On or after July 1, 1997, the board of regents may:

—— (i) reduce the participant's contribution rate established in subsection (1) to an amount not less

1 ~~than 6% of the participant's earned compensation; and~~

2 ~~—— (ii) increase the employer's contribution rate to an amount not greater than 6% of the participant's~~
3 ~~earned compensation.~~

4 ~~—— (b) The sum of the participant's and employer's contributions made under subsection (2)(a) must~~
5 ~~remain at 12% of the participant's earned compensation.~~

6 ~~—— (3) The board of regents shall determine whether the participant's contribution is to be made by~~
7 ~~salary reduction under section 403(b) of the Internal Revenue Code of 1954 or by employer pick-up under~~
8 ~~section 414(h)(2) of that code.~~

9 ~~(4)(3)~~ The disbursing officer of the employer or other official designated by the board of regents
10 shall pay both the participant's contribution and the appropriate portion of the regents' contribution to the
11 designated company or companies for the benefit of the participant.

12 ~~(5) The board of regents shall make the supplemental contributions to the teachers' retirement~~
13 ~~system as provided in 19-20-621 to discharge the obligation incurred by the Montana university system~~
14 ~~for the past service liability incurred by active, inactive, and retired members of the teachers' retirement~~
15 ~~system.~~

16 **19-21-203. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier)**
17 **Contributions -- supplemental and plan choice rate contributions.** (1) Each program participant shall
18 contribute an amount equal to the member's contribution required under 19-20-602. The board of regents
19 shall contribute an amount that, when added to the participant's contribution, is equal to 12% of the
20 participant's earned compensation the percentage specified in 19-20-605 as a percentage of the earned
21 compensation paid to program participants.

22 (2) (a) The board of regents may:

23 ~~—— (i) reduce the participant's contribution rate established in subsection (1) to an amount not less~~
24 ~~than 6% of the participant's earned compensation; and~~

25 ~~—— (ii) increase the employer's contribution rate to an amount not greater than 6% of the participant's~~
26 ~~earned compensation.~~

27 ~~—— (b) The sum of the participant's and employer's contributions made under subsection (2)(a) must~~
28 ~~remain at 12% of the participant's earned compensation.~~

29 ~~—— (3) The board of regents shall determine whether the participant's contribution is to be made by~~
30 ~~salary reduction under section 403(b) of the Internal Revenue Code of 1954 or by employer pickup under~~

1 section 414(h)(2) of that code.

2 ~~(4)~~(3) The disbursing officer of the employer or other official designated by the board of regents
3 shall pay both the participant's contribution and the appropriate portion of the board of regents'
4 contribution to the designated company or companies for the benefit of the participant.

5 ~~(5) (a) The board of regents shall make the supplemental contributions to the teachers' retirement~~
6 ~~system, as provided in 19-20-621, to discharge the obligation incurred by the Montana university system~~
7 ~~for the past service liability incurred by active, inactive, and retired members of the teachers' retirement~~
8 ~~system.~~

9 ~~(b)~~(4) For employees electing to become program members pursuant to 19-3-2112, the board of
10 regents shall, in addition to other contributions required under this section, contribute to the public
11 employees' retirement system the plan choice rate provided in 19-3-2117(2)(b) and adjusted pursuant to
12 19-3-2121."

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14 NEW SECTION. **Section 5. Repealer.** Section 19-20-621, MCA, is repealed.

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16 NEW SECTION. **Section 6. Effective dates.** (1) Except as provided in subsection (2), [this act] is
17 effective July 1, 2001.

18 (2) [Section 5] is effective July 1, 2033.

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20 NEW SECTION. **Section 7. Termination.** [Section 1] terminates June 30, 2033.

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